

Message Text

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ACTION NEA-10

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CIAE-00 DODE-00 PM-05 H-01 INR-07 L-03 NSAE-00
NSC-05 PA-01 PRS-01 SP-02 SS-15 ACDA-07 IGA-02
AID-05 EB-08 EPG-02 TRSE-00 STR-04 OMB-01 CEA-01
COME-00 FRB-03 XMB-02 OPIC-03 LAB-04 SIL-01 IO-13
AGRE-00 CU-02 /109 W

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FM AMEMBASSY COLOMBO

TO SECSTATE WASHDC IMMEDIATE 7743

INFO AMEMBASSY DACCA

AMEMBASSY KATHMANDU

AMEMBASSY NEW DELHI

AMCONSUL KARACHI

CINCPAC

C O N F I D E N T I A L SECTION 1 OF 2 COLOMBO 2542

C O R R E C T E D C O P Y (CORRECTION IN PARA 1)

CINCPAC FOR POLAD

E.O. 11652: GDS

TAGS: PGOV, PINT, CE

SUBJ: IMPLICATIONS OF THE SRI LANKAN ELECTION

REF: STATE 168377

1. SUMMARY: THIS MESSAGE DISCUSSES THE IMPLICATIONS OF THE SWEEPING UNP VICTORY IN THE JULY 21 SRI LANKA ELECTIONS. THE GOVERNMENT WILL FACE SERIOUS ECONOMIC PROBLEMS, NOTABLY UNEMPLOYMENT, INFLATION AND DECLINING PRODUCTION. ITS VICTORY IS SO ONE-SIDED AS TO LEAVE LITTLE EFFECTIVE PARLIAMENTARY OPPOSITION SAVE THE TAMIL PARTY, POSSIBLE LEADING THOSE WITH
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FUTURE POLITICAL GRIEVANCES TO SEEK EXTRA-LEGAL OR VIOLENT MEANS OF EXPRESSION. WE BELIEVE THE U.S. SHOULD AVOID GESTURES OF AIEIOR ADVICE UNTIL THE JAYAWARDENE GOVERNMENT, HAVING SORTED OUT ITS OWN PRIORITIES, COMES TO US SEEKING IT, WHICH MAY NOT BE LONG DELAYED. SUCH REQUESTS SHOULD THEN BE CAREFULLY CONSIDERED ON THEIR MERITS. END SUMMARY.

2. THE EXTENT OF THE SWEEPING UNP VICTORY HAS BEEN VIRTUALLY UNPRECEDENTED, APPROACHING 80 PERCENT OF THE SEATS IN PARLIAMENT. LATER ATTENTION WILL BE GIVEN TO ANALYZING THE CAUSES AND EXTENT OF THE LANDSLIDE. OUR PURPOSE HERE IS A BROAD BRUSH SKETCH OF PROSPECTS.

3. PROSPECTS FOR THE NEW UNP GOVERNMENT: ECONOMIC. THE MASSIVE UNP ELECTORAL VICTORY CAN BE ATTRIBUTED IN LARGE MEASURE TO VOTER DISSATISFACTION WITH THE STATE OF THE ECONOMY. WITH OVER 20 PERCENT OF THE LABOR FORCE UNEMPLOYED, WITH A RAPIDLY RISING COST OF LIVING (THE CURRENT ANNUAL INFLATION RATE IS VARIOUSLY ESTIMATED AT 10 TO 30 PERCENT), WITH CHRONIC SHORTAGES OF FOOD AND OTHER ESSENTIAL CONSUMER GOODS, ECONOMIC ISSUES DOMINATED THE CAMPAIGN. THE UNP PROMISED PROMPT ACTION TO CORRECT THESE PROBLEMS; AN UNEXPECTED OVERWHELMING MAJORITY HAS BEEN THE RESULT.

4. WITH THIS MANDATE, THE UNP GOVERNMENT NOW WILL HAVE TO PRODUCE RESULTS. THE TWIN PROBLEMS OF UNEMPLOYMENT AND INFLATION HAVE NO EASY SOLUTIONS. FACED WITH A GROSSLY OVERVALUED CURRENCY, WITH DECLINING PRODUCTION IN THE TEA AND COCONUT EXPORT SECTORS, BURDENED WITH A COSTLY SOCIAL WELFARE SYSTEM, JR'S GOVERNMENT WILL HAVE LIMITED ROOM FOR ACTION. DEVALUATION WILL ADD TO INFLATIONARY PRESSURES BUT IS NEEDED TO PROMOTE NONTRADITIONAL EXPORTS AND FOREIGN INVESTMENT. REVERSING THE DECLINE IN TEA AND COCONUT PRODUCTION, CAUSED
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MORE BY THE ADVERSE EFFECTS OF LAND REFORM AND POOR MANAGEMENT THAN BY TEMPORARY DROUGHT, WILL BE DIFFICULT AND WILL TAKE TIME. IT WILL NOT BE EASY TO GET THE SRI LANKAN PUBLIC AND LABOR FORCE TO ACCEPT REFORM IN THE COUNTRY'S SOCIAL WELFARE SYSTEM.

5. POLITICAL PROSPECTS. NEVER SINCE INDEPENDENCE HAS AN ELECTION RESULTED IN SUCH A ONE-SIDED MAJORITY, WITH THE ELIMINATION OF ALLEFFECTIVE PARLIAMENTARY OPPOSITION SAVE THE 10 PERCENT OF TAMIL SEATS. THE PARLIAMENTARY LEFT HAS BEEN ELIMINATED, AND THE SLFP REDUCED TO A HANDFUL OF MEMBERS. TRADE UNIONS, UNEMPLOYED AND DISAFFECTED YOUTH, AND OTHER GROUPS WITH GENUINE GRIEVANCES MAY QUICKLY REALIZE THAT IN THE ABSENCE OF EFFECTIVE SPOKESMEN WITHIN THE STATE ASSEMBLY, ONLY VIOLENCE AND OTHER EXTRA-LEGAL ACTION CAN PROVOKE ATTENTION TO THEIR DESIRES. THIS MAY ALSO APPLY TO THE MORE RACIALIZED YOUNGER TAMILS, WHO MAY FIND MANY FOREIGN MODELS FOR A VIOLENT CAMPAIGN IN FAVOR OF A SEPARATE TAMIL STATE. ANY SUCH WIDESPREAD DISRUPTION COULD EASILY LEAD TO A RETURN OF EMERGENCY RULE, IN THE RELATIVELY BENIGN FORM SRI LANKA HAS KNOWN IT.

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6. J.R. JAYAWADENE HAS FEW APPARENT POLITICAL OBLIGATIONS AND HE SEEMS READY TO TAKE DECISIVE STEPS TO ESTABLISH HIS LEADERSHIP. YET THE VERY SIZE OF HIS MAJORITY AND THE LACK OF ANY REAL OPPOSITION THREAT MAY MAKE HIS OWN FORCES DIFFICULT TO HARNESS AND CONTROL; THE DANGER OF CLIQUES AND FACTIONS WOULD APPEAR GREAT, ESPECIALLY TO A LEADER OF HIS AGE WITH NO OBVIOUS AND ACCEPTED HEIR APPARENT. WHILE HIS PUBLISHED PROGRAM IS IN MANY RESPECTS VAGUE, THE CONSTITUTIONAL REFORM HE HAS PROMISED (AND WHICH HE CLEARLY HAS THE MAJORITY TO EFFECT), THE NORMAL ATTENTION TO MASSIVE SHIFTS OF PATRONAGE IN THE MANY MINISTRIES AND STATE CORPORATIONS CHARACTERISTIC OF A CHANGE OF PARTY IN SRI LANKA, AND THE NEED TO ACCOMMODATE CERTAIN OF THE MORE NEANDERTHAL RELICS OF THE UNP PAST, MAY ALL COMBINE TO DIVERT ATTENTION FROM THE MORE IMMEDIATELY PRESSING ECONOMIC PROBLEMS MENTIONED ABOVE.

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7. AS IS CLEAR BOTH FROM THE CAMPAIGN AND ACQUAINTANCE WITH JR AND OTHER PRINCIPAL UNP LEADERS, FOREIGN POLICY IS NOT OF GREAT INTEREST TO HIS PARTY, AND HAS NOT BEEN A CAMPAIGN ISSUE. NON-ALIGNMENT WILL CONTINUE TO BE THE DESCRIPTIVE TERM, AND IT IS SERIOUSLY TO BE DOUBTED WHETHER THE NEW GOVERNMENT WILL BE IN PRINCIPLE ANY MORE HELPFUL TO U.S. POLICY INTERESTS THROUGHOUT THE SPECTRUM OF INTERNATIONAL POLITICAL AND ECONOMIC FORUMS.

8. POLICY CHOICES FOR THE U.S. GIVEN OUR RATHER LIMITED STRATEGIC AND ECONOMIC INTERESTS IN THIS SMALL ISLAND NATION, WE HAVE ON THE WHOLE GOTTEN ALONG WELL WITH PAST GOVERNMENTS OF EITHER PARTY, EXCEPT

WHERE THEY HAVE DIRECTLY CHALLENGED US, AS IN MATTERS OF NATIONALIZATION.

OTHER THINGS BEING EQUAL, FROM A PHILOSOPHIC VIEWPOINT WE MIGHT WELCOME THE ADVENT OF A PARTY WHOSE PHILOSOPHY CALLS FOR A LESSER GOVERNMENTAL ROLE IN MATTERS OF TRADE AND INVESTMENT. THE IMMEDIATE PROBLEM IS THAT A GOVERNMENT SO ORIENTED HAS VERY HIGH EXPECTATIONS OF US. FOR EXAMPLE, THE MORNING OF THE ELECTION VICTORY, A CLOSE RELATIVE OF THE NEW PRIME MINISTER PHONED THE CHARGE TO REMIND HIM OF THE NEW ASSISTANCE THE UNP WOULD NEED IN ESTABLISHING JR'S PROMISED FREE TRADE ZONE AND IN ATTRACTING AMERICAN CONCERNS AND INVESTORS TO MAKE SUCH A ZONE A SUCCESS.

9. THE PATTERN AND LEVELS OF AID PROJECTED BY THIS MISSION AND THE SEVERAL WASHINGTON AGENCIES OVER THE NEXT TWO OR THREE FISCAL YEARS, HAVE BEEN BASED ON THE REALITIES OF SRI LANKA'S NEEDS AND OUR CORRESPONDING CAPACITY TO HELP, WITH LITTLE DIRECT RELATION TO THE POLITICAL GROUP IN POWER. WHILE CIRCUMSTANCES AND PERCEPTIONS NATURALLY CHANGE OVER TIME, IT IS OUR VIEW THAT FOR THE TIME BEING WE SHOULD BE HESITANT ABOUT ANY SUDDEN AND APPARENT SHIFT IN OUR RELATIONSHIP TO SRI LANKA BASED MERELY ON ITS POLITICAL SHIFT TOWARD THE RIGHT.

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LET US FIRST GIVE THE JAYAWARDENE GOVERNMENT A CHANCE TO ESTABLISH ITS PROGRAM AND PRIORITIES, WE SHOULD WAIT FOR IT TO APPROACH

US (AS IN ALL LIKELIHOOD IT WILL, EARLY IN THE GAME) WITH SPECIFIC REQUESTS FOR HELP AND/OR ADVICE. WE SHOULD NOT BE FREE WITH EITHER UNTIL SO REQUESTED BY THEM AND UNTIL WE HAVE EVALUATED THEIR PERFORMANCE AND PROSPECTS AND OUR OWN CAPABILITY TO PROVIDE EFFECTIVE ASSISTANCE. OBVIOUSLY WE SHOULD AND WILL MOVE QUICKLY TO ESTABLISH EFFECTIVE RELATIONSHIPS WITH THE NEW GOVERNMENT. WE SHOULD AWAIT ITS FORMATION AND SOME INDICATION OF ITS PERFORMANCE BEFORE MAKING ANY

UNDUE SHIFTS IN OUR OWN POLICY STANCE TOWARD SRI LANKA, EVEN THOUGH WE CANNOT HELP VIEWING IT WITH A BENEVOLENT EYE AND EXPRESSING OUR BEST WISHES FOR ITS SUCCESS. ONE OF THE CURRENT AND PERHAPS OVERDRAMATIC VIEWS HEARD ALL OVER TOWN THESE DAYS IS THAT THIS

GOVERNMENT HAD BETTER TAKE SERIOUS STEPS QUICKLY, AS IT ONLY HAS A
LIMITED AMOUNT OF TIME (SIX MONTHS? ONE YEAR?) TO PERFORM, OR EVENTS
SIMILAR TO THOSE OF THE 1971 YOUTHFUL
INSURGENCY MAY BE EXPECTED.
THE UNP THEMSELVES HAVE BEEN SAYING THIS FOR MANY WEEKS. LET US
HOPE THAT THEY BELIEVE IT.
PERKINS

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